COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 1558-01
BILL NO.: HB 597
SUBJECT: Department of Agriculture; Gasoline specifications
TYPE: Original
DATE: February 21, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Petroleum Inspection Fund	($213,511)	($175,504)	($180,125)
Total Estimated Net Effect on All State Funds	**($213,511)**	**($175,504)**	**($180,125)**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	$0	$0	$0
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	**$0**	**$0**	**$0**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Natural Resources** assume that because this bill places responsibility for implementing the statewide gasoline oxygen requirement on the Department of Agriculture, this bill will have no fiscal impact upon the Department of Natural Resources.

However, if this bill becomes law, the department's State Implementation Plan for the reduction of VOC emissions in ozone non-attainment areas (St. Louis) and in ozone maintenance areas (Kansas City) would likely be impacted. If the new fuel requirements have fewer emissions reductions, those reductions would have to be made up with new strategies. This would require the state to seek additional air pollutant reductions from businesses already regulated or the state may be required to regulate smaller businesses in the non-attainment area.

The department is already responsible for these activities and does not estimate a significant fiscal impact, therefore the department is not requesting additional resources.

Furthermore, because the federal Clean Air Act mandates only 2.0 weight percent oxygen for the federal RFG program, the department would have to request a Section 211 (c)(4)(C) fuel waiver [per the CAAA] to make this 2.7% statewide oxygen requirement federally enforceable in the St. Louis RFG area. The federal conventional gasoline regulations allow the use of oxygenates, but there is no rule that specifies oxygenates must be used. Therefore, the department would have to request another fuel waiver under Section 211 (c)(4)(C) to make the statewide oxygen requirement federally enforceable for the rest of the state. There are also federal preemption issues, associated with gasoline requirements, that must be considered. The department is already responsible for these activities and does not estimate a significant fiscal impact, therefore the department is not requesting additional resources.

Officials from the **Department of Agriculture** assume, as a result of this proposal, the department will need one additional chemist to handle the extra testing of all gasoline samples as well as instructing the service station operators, suppliers, and terminals as to the requirements. One additional Fuel Device Safety Inspector will be required to assist in enforcement of labeling and documentation requirements and will obtain fuel samples for on-site testing and for laboratory tests. One auditor will audit records at terminals and refineries. The chemist will use an existing chromatograph and the inspector will require a pickup truck, camper shell, sample collection equipment, and oxygenate analyzer. The existing three inspectors will also each use

ASSUMPTION (continued)

an oxygenate analyzer.

Officials from the **Department of Transportation** (DHT) assume that as a result of this proposed legislation federal funding will be reduced since the tax on 7.7% ethanol is 6.658 cents per gallon less than the tax on gasoline. The usage percentages are 50% in August, 2003; 75% in August, 2005; and 100% in August, 2007. This legislation will result in a loss beginning in October, 2004. Therefore, the minimum loss to the Road Fund is $9,000,000 in FY 2005; $12,000,000 in FY 2006; $12,000,000 in FY 2007; and $12,000,000 in FY 2008. The maximum loss is unknown.

The minimum loss is based on current national total revenue credited to the Highway Account of the Trust Fund, the current guarantee formula used by FHWA for apportionments under the current highway act (TEA-21), and current Missouri revenue credited to the Highway Account less the projected decrease in contributions from increased gasohol usage in the state. The maximum amount is unknown because of the unknowns of the future national policy regarding mandatory use of gasohol which effects trust fund receipts and the next highway act scheduled to take effect in 2004.

The associated minimum loss to cities and counties is $2,250,000 in FY 2005; $3,000,000 for FY 2006; $3,000,000 for FY 2007, and $3,000,000 in FY 2008.

FISCAL IMPACT - State Government	FY 2002 (6 Mo.)	FY 2003	FY 2004
PETROLEUM INSPECTION FUND			
Cost - Department of Agriculture			
Personal Service (3 FTE)	($47,091)	($96,536)	($98,949)
Fringe Benefits	($15,695)	($32,175)	($32,980)
Expense and Equipment	($150,725)	($46,793)	($48,196)
Estimated Net Effect on PETROLEUM INSPECTION FUND	**($213,511)**	**($175,504)**	**($180,125)**

FISCAL IMPACT - Local Government	FY 2002 (10 Mo.)	FY 2003	FY 2004
	$0	**$0**	**$0**

Long-Range Implications

Officials from the DHT assume the minimum loss to the Road Fund is $9,000,000 in FY 2005; $12,000,000 in FY 2006; $12,000,000 in FY 2007; and $12,000,000 in FY 2008. The maximum loss is unknown.

Additionally, DHT officials assume the associated minimum loss to cities and counties is $2,250,000 in FY 2005; $3,000,000 for FY 2006; $3,000,000 for FY 2007, and $3,000,000 in FY 2008.

FISCAL IMPACT - Small Business

Possible increased fuel costs could result in increased operational costs for small businesses. In addition, those small businesses in the petroleum industry would be affected by the provisions of this proposal.

DESCRIPTION

This bill requires that all gasoline sold in Missouri after January 1, 2002, contain at least twenty-seven thousandths oxygen by weight. After August 28, 2003, 50% of all gasoline sold is to contain at least 2.7% oxygen by weight. After August 28, 2005, the requirement is increased to 75% of all gasoline sold is to contain at least 2.7% oxygen by weight. Then after August 28, 2007, all gasoline sold must contain at least 2.7% oxygen by weight.

Exceptions to the oxygenate requirement include airports, marinas, and any area of the state subject to the requirements of the federal reformulated gasoline program, but only during the times of the year when oxygenated gasoline does not meet the requirements.

The bill provides for labeling, inspection, sampling, adulteration, record keeping, transport, and storage requirements.

Nothing in section 413.440 of the bill is intended to result in any violation of the federal Clean Air Act.

This legislation is not federally mandated and would not require additional capital improvements or rental space, but would duplicate an existing program. Officials from the AGR noted that the AGR's Division of Weights and Measures, Fuel Quality Program (FQP) currently administers fuel quality testing. Specifications have been promulgated by regulations that meet industry standards. These requirements can be found in Chapter 414, RSMo and 2 CSR 90-30.040 Quality Standards for Motor Fuel in the Missouri Code of State Regulations. Officials from the
DESCRIPTION (continued)

DHT noted that this legislation duplicates the current Missouri State Implementation Plan (SIP) submitted by the DNR and approved by the Environmental Protection Agency under the Clean Air Act.

SOURCES OF INFORMATION

Department of Agriculture
Department of Natural Resources
Department of Revenue
Department of Transportation

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Director

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